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Indonesia

Oilseeds and Products

Indonesia: An Additional War-Risk Zone

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Report Highlights:

The London-based Joint Hull Committee, has included Indonesia in its Current Exclusion Countries list of War-Risk Zones, following the October 12 bomb blast in Bali. The announcement is effective October 17, 2002 and applies to all Indonesian ports. This announcement will increase insurance premiums by approximately 5 percent to 10 percent and expected to increase the price of imported goods.

Includes PSD changes: No
Includes Trade Matrix: No
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Executive Summary

Indonesia: An Additional War Risk Zones

Following the October 12 bomb blast in Bali, the London-based Joint Hull Committee - consists of Lloyd's Underwriters Association and the International Underwriters Association of London - has included Indonesia in its Current Exclusion Countries list of War-Risk Zones. along with 20 other countries such as Israel, Lebanon, Libya, Sri Lanka, and Pakistan. The announcement is effective October 17, 2002 and applies to all Indonesian ports. Trader sources indicated that prior to the announcement, the exclusion used to apply to several ports in political unrest areas in Indonesia, not included Java island. [Indonesia has 2,109 ports, of which 140 ports are open to foreign vessels.].

With this announcement, it is calling insurance and re-insurance firms to cancel or amend all contracts with vessels sailing to Indonesia. In fact, all insurance firms in Indonesia reinsure their clients with Lloyd's. Should the firms insist on entering Indonesian territory, they will be subject to additional premium.

The business community is protesting the inclusion of all ports in Indonesia in the Current Exclusion list of war-risk zones and saying that it is baseless and unfair. The Indonesian Insurance Council (DAI) regretted the notice which is seen to have the potential to disrupt the flow of goods into and out the country. It is hoped that the current exclusion list will be applied temporarily before hurting the country's trade activities. The DAI will file a petition to the Council to reconsider this policy since not all ports in Indonesia are considered high risk. In addition, the Indonesian Shipowners Association (INSA) will also encourage the Minister of Finance to file a protest with Lloyd's.

FAS/Jakarta contacted several traders concerning the impact of the announcement to import activities to Indonesia. Traders indicated that current shipments have not been affected by this policy yet since most contracts have been settled prior to Moslem fasting month (Ramadan) and Christmas celebrations. However, they expect to pay an additional premium of 5 to 10 percent for new contracts. Some predict the premium might be even higher than 10 percent. The increase in the insurance premiums will merely increase the price of imported goods, thus stifling demand, at a time when the Rupiah is weakening and consumer purchasing power is still recovering.

Sources: the Jakarta Post, October 17, 2002 and October 19, 2002, and Various Trade Contacts.

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